

## **Reactive Supply and Voltage Control From Generation Sources Service Rate Proposal**

### **Purpose**

The purpose of this proposed methodology for the Reactive Supply and Voltage Control From Generation Sources Service Rate (Generator Supplied Reactive, or GSR, rate) is to provide a method for recovering the cost associated with reactive from the Federal System resources and potentially non-Federal generators.

### **Background**

#### ***Current GSR Rate***

The current GSR rate recovers the allocated transmission cost plus the \$25 million per year that is allocated to TBL for generation supplied reactive provided from the Federal System resources. The \$25 million reactive cost that is allocated to TBL was determined in the 2002 Power Rate Case. The 2002 Power Rates were approved by FERC and aspects of the power rates, including the allocation of reactive costs, are currently being challenged at the Ninth Circuit.

The current allocation of reactive cost is a fixed amount per year that has three components: the cost of the reactive capability of the Federal System resources; reimbursement for incremental losses associated with generating reactive power; and reimbursement for the capital investment and energy associated with synchronous condenser operation.

The GSR Rate also provides for a self-provision credit to the transmission customer consistent with FERC Order 888.

#### ***TransAlta Rate Filing***

TransAlta recently filed a rate with FERC to charge TBL for reactive supplied to the Federal transmission system by the Centralia coal plant. The rate would charge \$1.1 million annually and is effective December 2, 2004, subject to refund.

- TBL is not intending to factor this charge into the GSR rate for this current FY04-FY05 rate period.
- TBL is challenging TransAlta's rate for reactive from Centralia and the rate is set for hearing before a FERC Administrative Law Judge (ALJ). The hearing is scheduled for the end of February with the ALJ issuing an opinion by June. The ALJ's opinion will then be reviewed by the FERC Commissioners.

### **TBL Proposal for the 2006 Rate Case**

Depending on the outcome of the hearings there could be additional non-Federal generators that file rates to charge TBL for generation supplied reactive during the FY06-FY07 period.

Based on this risk, TBL is proposing to use a formula GSR rate for FY06 and FY07 that is subject to adjustment on a quarterly basis.

For FY06, the GSR formula rate will include a fixed component to recover the \$25 million allocated amount from the 2002 PBL Rate Case and allocated transmission costs; plus a variable component to recover costs, if any, of reactive payments to non-federal generators based on FERC approved rates. TBL proposes to update the variable component quarterly.

- The variable component of the GSR rate effective on October 1, 2005 will be the costs for FY06 of any non-Federal generators that have rates effective prior to this date.
- Then for the coming quarter, the rate adjustment will add the charges for future quarters for any additional non-Federal generators that file an approved rate effective prior to the end of the current quarter plus the charges paid in the current quarter to the additional non-Federal generators. If any refunds are granted by FERC, the refunds will likewise be calculated into the quarterly rate adjustment.

For FY07, the GSR rate will recover the allocated amount from the 2007 PBL Rate Case and allocated transmission costs, plus the same variable component as in the FY2006 rates to recover costs, if any, of reactive payments to non-federal generators based on FERC approved rates.